

Joint Meeting of Employee Trust Funds, Teachers Retirement & Wisconsin Retirement Boards

Michael Williamson, Executive Director
March 27, 2014

2013 Investment Performance

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	YTD	Five Years	Ten Years
Core Fund	13.6%	12.5%	7.4%
Benchmark	12.9%	11.6%	7.1%
Variable Fund	29.0%	17.7%	7.6%
Benchmark	28.0%	17.0%	7.5%

Performance by Asset Class

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	Benchmark	Actual Returns
Total Core Fund	12.9%	13.6%
Public Equities	24.9%	26.2%
Public Fixed Income	-2.3%	-2.1%
Inflation Protection	-8.6%	-8.6%
Real Estate	13.0%	16.9%
Private Equity	15.9%	17.1%
Multi-Asset Strategies	11.3%	5.8%

Performance Compared to Peers

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- SWIB's lower investments in equities & higher investments in fixed income has performed well against peers in the last five years
- Core Fund has exceeded its benchmark for the one-, three-, five- and ten-year periods
- Fund has a favorable use of risk when compared to the rewards we can gain.

*Callan report based on Core Fund cumulative performance during five-year period ending Sept. 30, 2013.

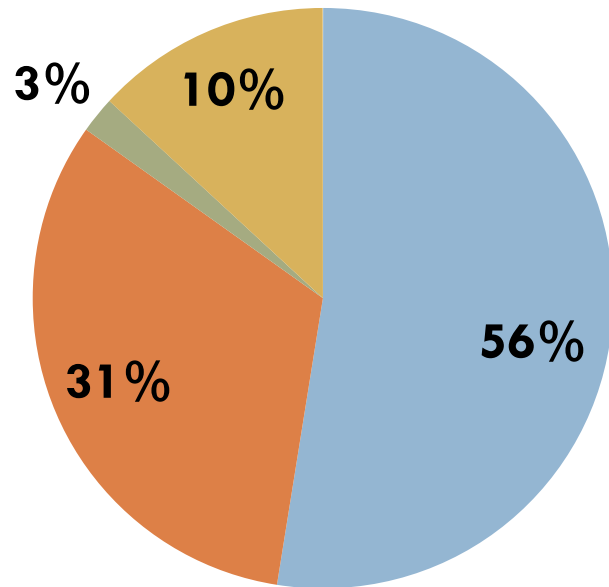
SWIB vs. “The Market”

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- Diversification
- Core Fund is designed to be less volatile
- The difference in returns can be explained by asset allocation
- Volatility can make single year comparisons misleading
- Funding status plays a key role
- Assets needed for retirees should be considered

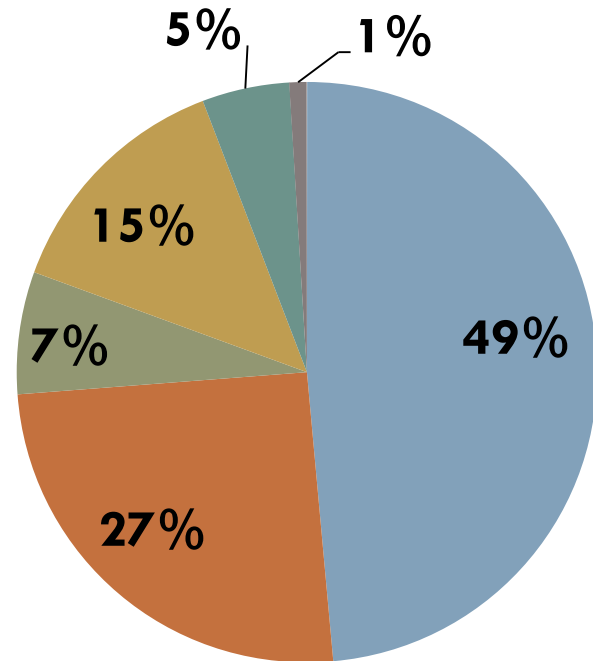
Managing Investment Risk

2008



- Stocks
- Fixed Income
- Multi-Asset
- Private Markets

Today



- Stocks
- Fixed Income
- Inflation Protection
- Private Markets
- Multi-Asset
- Cash

How Costs Compare with Peers*

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- SWIB's cost of asset management continues to be lower than its peers
- SWIB manages more assets internally & passively than its peers providing a cost advantage
- SWIB pays less in fees for external managers
- Annual Core Fund costs are \$36.6 million less than peers
- Five-year earnings above market indexes was \$2.6 billion, of which \$1.8 billion was due to internal management

Staffing and Compensation

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- Qualified staff are the key ingredient
- SWIB operates in a very competitive environment
- Compensation program is built on a pay-for-performance element

Determining Compensation

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- Compensation consultant advises Trustees
- Peer group includes banks, insurance companies & in-house managed pension funds
- Excludes the east & west coast financial centers
- Primary focus on five-year results, not one-year
- Over the last five years, SWIB has generated \$2.6 billion above market indexes

Forecast for the Future

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- Overall economic outlook is positive
- Global growth will continue
- Inflation is expected to remain under control
- Housing sector will continue to improve
- Euro area risks continue to be a concern
- China financial/credit concerns become critical

Thank You

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Questions?

STATE OF WISCONSIN INVESTMENT BOARD

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SWIB Real Estate

- Allocation guided by Modern Portfolio Theory
 - Diversification
 - Current Income
 - Inflation hedge
 - Return expectations typically between equity and fixed income
- Six person team
 - Portfolio Manager plus five investment staff
 - Part of SWIB's Private Markets Group (Real Estate, Private Equity and Wisconsin Debt / Equity)

Property Types

- Four Major Food Groups

- Office
- Multifamily
- Retail
- Industrial



- Others

- Lodging
- Student Housing
- Senior Housing
- Medical Office



Institutional Real Estate Buckets



Core



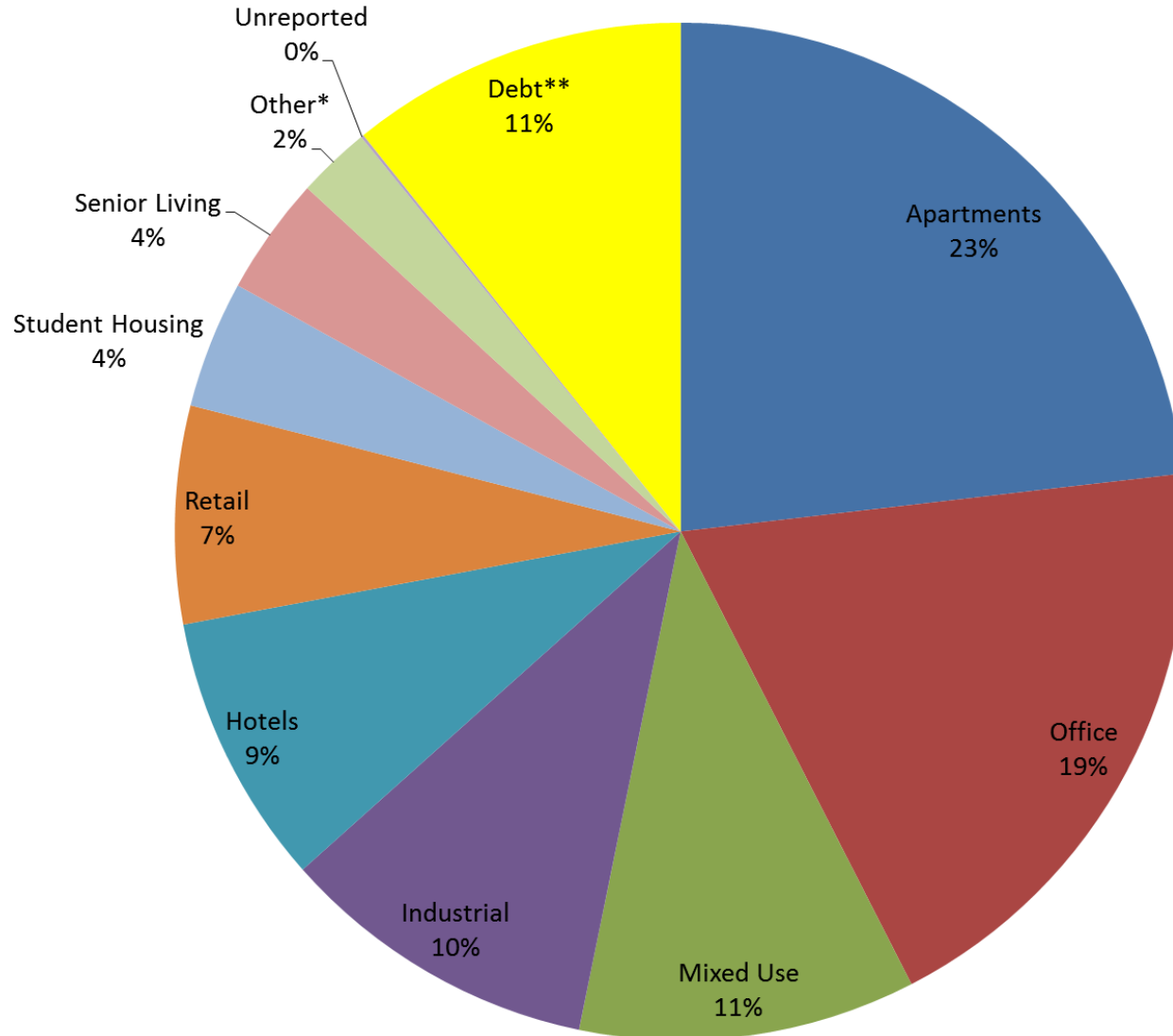
Value



Opportunistic

Risk and return expectations.....

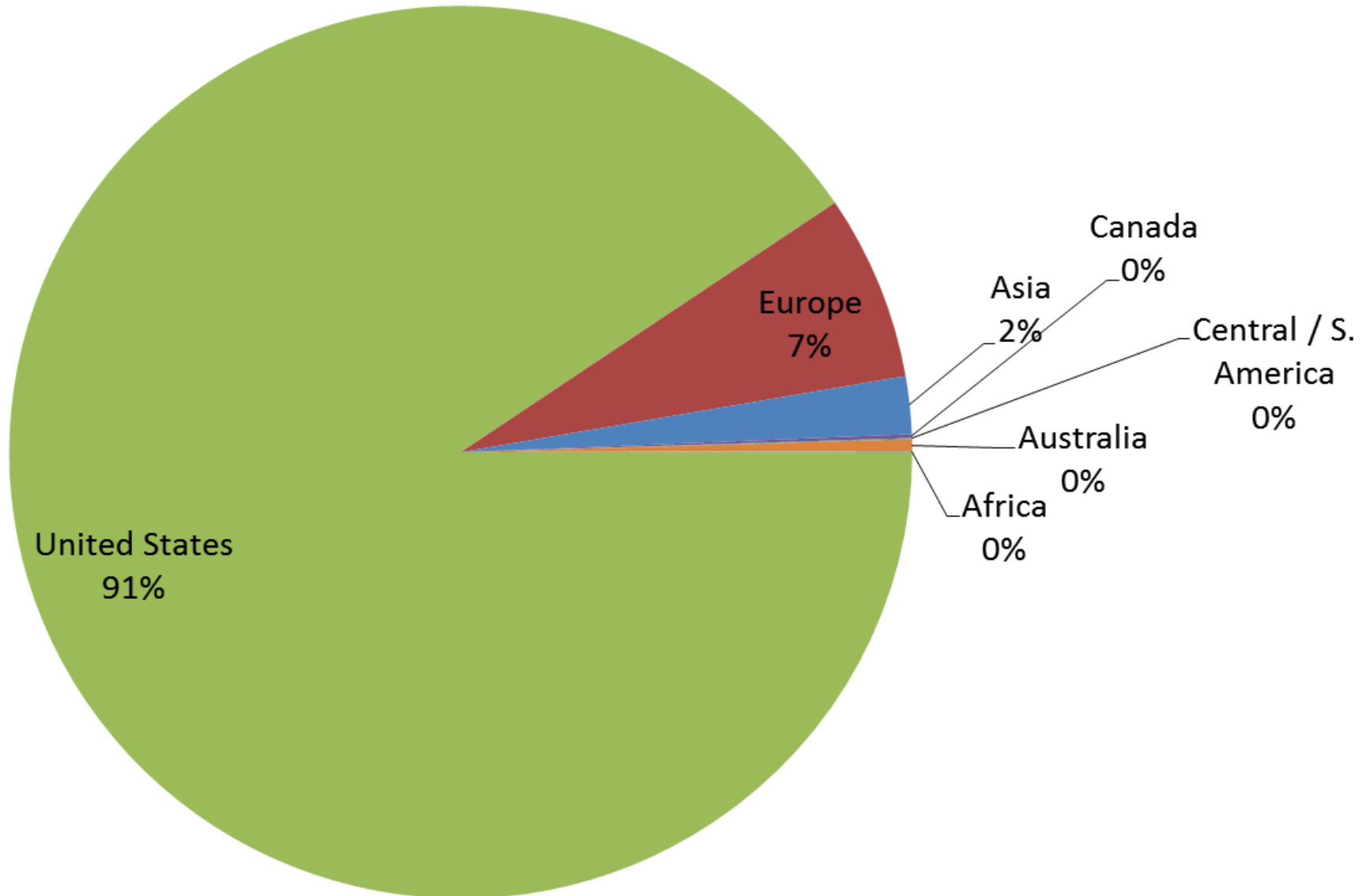
Structure/Property Type Exposure by GAV as of 9/30/2013



*Other includes Data Centers, Entertainment/Leisure, For-sale Residential, Medical Facilities, Parking Garages, and Self Storage.

**Debt includes first mortgages, mezzanine loans, preferred equity, CMBS, CDOs, REIT Bonds, and other types of privately structured loans.

Geographic Exposure by GAV as of 9/30/2013



Real Estate Portfolio Returns*

Versus Benchmark (as of 12/31/13 SWIB books)

	Market Value (\$Millions)	1-Year	3-Year	5-Year	10-Year
Real Estate	\$5,709	16.9%	17.8%	2.5%	9.0%
Benchmark		13.0%	13.9%	4.1%	9.1%
		3.9%	3.9%	-1.6%	-0.1%

*Gross of Fees

Some pretty pictures...







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Questions?

